

### 11.3 UPHOLD FINANCIAL INTEGRITY PROVISIONS INCLUDING ACCOUNTING, REPORTING, AND AUDITING PROCEDURES

*THE EXCHANGE HAS INSTITUTED PROCEDURES AND POLICIES THAT PROMOTE COMPLIANCE WITH THE FINANCIAL INTEGRITY PROVISIONS OF AFFORDABLE CARE ACT 1313 (AND WILL SUPPLEMENT THOSE POLICIES AND PROCEDURES TO IMPLEMENT REGULATIONS PROMULGATED UNDER THE AFFORDABLE CARE ACT 1313), INCLUDING THE REQUIREMENTS RELATED TO ACCOUNTING, REPORTING, AUDITING, COOPERATION WITH INVESTIGATIONS, AND APPLICATION OF THE FALSE CLAIMS ACT.*

*INDICATE THE FINANCIAL OR ACCOUNTING STANDARDS WITH WHICH THE EXCHANGE IS IN COMPLIANCE (E.G., GOVERNMENT ACCOUNTING STANDARDS BOARD, GOVERNMENT ACCOUNTABILITY OFFICE (GAO) GOVERNMENT AUDITING STANDARDS (YELLOW BOOK), OMB CIRCULAR A-123 "MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL").*

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The Arkansas Insurance Department (AID) is subject to the State's substantial statutory and regulatory requirements controlling the financial management of all grant funds, including funds awarded through federal sources. Funds used for exchange activities at the AID are placed in separate accounts, to enhance proper use of the funds and the proper accounting and reporting of the use of the federal funds. AID Accounting uses the State's financial management system commonly referred to as AASIS, the acronym for "Arkansas Administrative Statewide Information System." The use of this system provides the State with the ability to report financial results on an individual agency or statewide basis on the modified or full accrual basis of accounting in order to comply with financial reporting requirements promulgated by the Governmental Accounting Standards Board (GASB).

Additionally, promulgated state regulations for ACA§19-4-1905 require that all state agencies maintain effective internal control over the financial administration of federal programs consistent with the following requirements:

U.S. Office of Management and Budget (OMB) Circulars A-87 Cost Principles for State, Local, and Indian Tribal Governments, A-102 Grants and Cooperative Agreements With State and Local Governments, A-133 Audits of States, Local Governments, and Non-Profit Organizations, the recommendations and requirements contained in the A-133 Compliance Supplement (current edition), the Cash Management Improvement Act of

1990, the regulations promulgated pursuant thereto at 31 CFR Part 205, and other relevant grants management provisions applicable to the federal program in question, as announced in the Catalog of Federal Domestic Assistance and in The Federal Register.

The grant funds are used by the Arkansas Insurance Department Health Benefits Exchange Partnership Division (HBEPD). This Division includes a Grants/Contracts Financial specialist position that is responsible for coordinating with the Accounting Division of AID on all available funds and expenditures. Duties of this position also include a monthly reconciliation of all the financial activities for each grant in accordance with federal reporting requirements. This monthly reconciliation ensures that state accounting through the AASIS reporting system is accurately cross referenced back to the federal accounting expected per the applicable grant's Notice of Award.

All work performed by the Arkansas Insurance Department is further subject to review by the Office of Accounting's Internal Audit section. All work of Internal Audit is conducted in accordance with International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Services of this office include:

1. Compliance Audits - The review of both financial and operating controls and transactions to determine the level of conformity with established laws, standards, regulations, and procedures. Included in compliance audits performed by the Internal Audit Section are compliance audits of Executive Order 98-04 and Act 34 of 1999.
2. Operational Audits - The review of the varied functions within an enterprise to appraise the efficiency and economy of operations and the effectiveness with which those functions achieve the stated objectives. Operational audits include a review of established internal control activities.
3. Investigating reported occurrences of fraud, embezzlement, theft, waste, abuse or mismanagement of state or federal resources and recommending controls to prevent or detect such occurrences.
4. Agency requested engagement focus on assisting management in resolving areas of concern.
5. The results of all engagements lead to the establishment of appropriate Internal Controls that will help prevent errors or irregularities.